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# State audit finds nearly \$20 million in fraud

## Thousands were paid improperly in 2008

By Raquel Rutledge of the Journal Sentinel

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State regulators misspent nearly \$20 million in taxpayer-supported child-care funds in 2008, according to estimates in a state audit released Friday.

The Legislative Audit Bureau's examination of the Wisconsin Shares child-care program found fraud and other problems in dozens of cases.

Legislators called for the full-blown review in February, after a Journal Sentinel investigation detailed how parents and providers easily scam the subsidy program.

"We found serious, significant problems," said Janice Mueller, state auditor. "Improvements are needed."

Auditors examined 400 randomly selected cases and found tens of thousands of dollars went to providers when parents weren't eligible for child-care assistance, didn't have legitimate employment or were otherwise not qualified. Forty-three cases, about 10% of those reviewed, had problems. Auditors said they used the statistically valid sample to conclude that between \$17 million and \$19 million of the more than \$350 million spent by the program was improperly paid to 7,300 participants in Wisconsin Shares in 2008.

In many cases, money went to providers when they didn't actually care for children, auditors found.

Auditors looked at attendance records of 45 child-care providers in October 2008 and found nearly half had fabricated records and were paid for care they did not provide or were not authorized to provide.

Auditors found six providers who reported perfect attendance for 157 kids over an entire month at a cost of \$75,000. National studies suggest kids typically attend day care 85% of the time they are scheduled. Other providers billed for nighttime hours when participating parents didn't actually appear to be working nights. In one case, a child-care provider was paid \$1,600 after a self-employed beautician qualified for late-night care for her two children.

There's no reason some of the employment problems can't be caught up front, the audit suggests. The Department of Workforce Development maintains several databases of information from employers about quarterly wages paid and new people hired.

Caseworkers cross-referenced the databases in just four of the 400 cases studied.

"It (the audit) verified the work that the Milwaukee Journal Sentinel found in its original investigation," said state Sen. Kathleen Vinehout, (D-Alma) co-chair of the Joint Legislative Audit Committee. "These are very serious problems. We're talking about a lot of dollars."

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**Milwaukee Journal Sentinel June 13, 2009**

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The state's audit was released in tandem with a Milwaukee County audit that found the county lacks a strategic approach to finding fraud and has no way to routinely identify suspicious billing. Nearly 60% of subsidies are spent in Milwaukee County.

"We found little in the way of a coherent approach to fraud," Milwaukee County Audit Director Jerome Heer wrote in the report.

The county audit found that 47 providers were paid more than \$2.5 million in 2008 despite the fact that inspectors knocked on their doors and got no answer on at least three occasions.

"Suspect attendance is but one of many issues confronting state licensors in their regulation of child care facilities," the audit states. "Issues including gunshots and other serious affairs are noted in letters, sometimes spanning months of operations."

In addition, the county audit also found providers offering vacation getaways, rent assistance, cash bonuses and other benefits to parents who enrolled their children in the center.

"We question the appropriateness of allowing such incentives in a publicly subsidized program," Heer wrote.

State Sen. Alberta Darling (R-River Hills) said the state needs to get a better handle on the problems.

"How do we assure the hardworking people of Wisconsin who are working two jobs right now that the state isn't going to keep throwing their tax dollars down the drain?" Darling said in a written statement.

The state and county audits make numerous recommendations, all of which state regulators say they are well on their way to adopting.

They are training workers to properly verify employment on the front end and ensure employers are legitimate. They are also changing the computer methods workers use to authorize child-care hours, allowing them to better spot suspicious circumstances.

The state is in the process of hiring five more fraud investigators, launching a fraud hotline and creating a swipe card system that would require parents to electronically log their children in and out of day care centers. And legislators are considering statutory changes to limit to 40% the number of children in a day care center who belong to employees.

"We've already begun to do business differently," said Henry Wilde, deputy secretary of the Department of Children and Families. "We have a real focus and urgency around this issue."

State Rep. Peter Barca (D-Kenosha) said he was "deeply concerned about the findings of this report."

"We will not let bad actors ruin Wisconsin Shares for the working moms and dads who have relied on this program to move off welfare, to go to work every day, and to know that their children are being properly cared for," said Barca, who co-chairs the Joint Legislative Audit Committee.

The findings from the state audit were the first of what is designed to be a two-phase audit of Wisconsin Shares. Auditors are expected to complete the second phase before the end of the year.

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# Millions misspent on day care

## Audit finds fraud, improper payments

By JASON STEIN  
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An audit found a troubling lack of accountability in a state child-care subsidy program, estimating millions of dollars in improper payments and referring two Dane County cases of possible fraud to law enforcement.

The nonpartisan Legislative Audit Bu-

reau estimated that between \$16.7 million and \$18.5 million in improper payments were made statewide in 2008 in the \$354.5 million Wisconsin Shares program. Those dollar figures are on top of another \$4 million in improper payments to a select sample of problem providers. The child-care program has faced scrutiny in recent months for payments to ineligible recipients and some outright fraud by providers.

In one case noted by auditors, the state paid \$1,600 for a single month to provide care at night to two children of a self-employed beautician. In another, six providers reported perfect attendance for 157 children for an entire month.

"The Audit Bureau uncovered millions of dollars of waste, periods of ineligibility, a lack of correct documentation, providers paid for care they didn't provide, and inefficient rules that allow fraudulent child-care rings to scam the system," Sen. Mary Lazich, R-New Berlin, said in a statement.

The state Department of Children and Families said it is already taking steps to improve accountability and eliminate fraud in the program, which is meant to help poor working parents support some 60,000 children as part of the state's Welfare to Work program.

"We are outraged when we see resources stolen from taxpayers and diverted from hardworking families who are trying to do the right thing," said Henry Wilde, deputy

secretary at the agency.

The Audit Bureau reviewed the files of 400 recipients of the program and 50 suspected problem providers. Of the 50 providers, five refused to give any records to the Audit Bureau and of the remaining 45, 21 providers were paid for care they either did not provide or were not authorized to provide, auditors found.

Auditors also checked addresses to see where providers and recipients of Wisconsin Shares lived in the same location. They found:

- Two Dane County providers who received \$42,700 in subsidy payments between January 2008 and May 2009 involving care for seven of their own children.
- Three Dane County providers who received \$18,200 between January 2008 and September 2008 to care for 10 of their own children.

Those cases were referred to law enforcement for possible investigation, since in the past some providers have reported caring for each other's children to receive the subsidies but haven't actually provided the care, state auditor Janice Mueller said. She declined to say more, and a spokesman for the Madison Police said he was not immediately aware of any possible investigation.

G. Paul Foster, deputy director of the Dane County Department of Human Services, said he was gathering figures to respond to the audit Friday.

Dane County has the second-largest number of participants in Wisconsin Shares after Milwaukee County, with \$1.9 million paid for 3,752 children in one month alone — December 2008.

In a response letter to the Audit Bureau, Children and Families secretary Reggie Bicha said the audit's finding of a 5 percent error rate on subsidy payments was "unacceptable." But Bicha also said that most of those payments were due to mistakes in determining eligibility. The agency is taking steps with county eligibility workers to address those mistakes, he said.

The agency also has developed a list of possible fraudulent day-care providers and has begun investigating those suspected of over-reporting children's attendance, he said. That scrutiny will include checks of child-care centers providing care late in the day and at night — times at which questions have also been raised about fraudulent billing.

The department also is supporting a change in the state budget bill that would allow no more than 40 percent of children in a day care subsidized by Wisconsin Shares to be the children of the day-care's employees.



Racine Journal Times June 13, 2009

# Wisconsin Shares fraud cost \$20M in 2008: Audit

BY LINDSAY FIORI  
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**RACINE COUNTY** — An audit released Friday confirmed suspicions that people are taking advantage of Wisconsin Shares, a state program that pays low-income people for child care so they are better able to find work.

The state Legislative Audit Bureau identified problems like illegal immigrants receiving compensation and fudged child care logs that cost the state more than \$20 million in 2008, in addition to other situations where people received money for watching family members' children.

The audit bureau reviewed 400 randomly chosen participants. For 43 of those participants, or about 11 percent, auditors found problems with eligibility, including inaccurate documentation and using the program while ineligible, according to the report.

The audit bureau concluded this meant the state improperly paid up to \$18.5 million in 2008.

"They had cases where workers knew the person applying was not eligible," said state Rep. Robin Vos, R-Caledonia, who indepen-

dently investigated the fraud allegations. "One percent of the people in the program were illegal immigrants."

Because of such problems Vos recommends better, mandated training for program employees.

"They must enforce the rules whether or not they like them," he said.

The state's audit bureau also investigated 50 child care providers they suspected of violations. Of those, 45 returned attendance records for October 2008. An analysis of those records shows numerous problems, including 21 providers that were paid for care they did not provide or were not authorized to provide, costing the state \$4 million, according to the report.

This is because child care providers are paid based on child attendance, which is self-reported. Vos said this creates an incentive to lie — in some cases attendance logs were not signed by parents and listed a child as arriving at exactly the same time every day, which is unlikely. Problems like this could be fixed through an independent verification system, like

fingerprint scanners, Vos said.

The audit bureau further identified a "significant problem" with program rules that lets providers care for each other's children and hire parents of children they care for, essentially creating "child care rings." Such rings were specifically found in Milwaukee and Dane counties, the report said.

For example, in one instance four sisters were paid to care for each other's children, something permitted under current state rules.

The audit bureau has recommended the state change the rules to ensure such abuses not happen in the future. They also suggest the Department of Children and Families, which administers the program, strengthen eligibility and wage verification processes.

Vos will take the audit bureau's recommendations to the Assembly floor in coming days as an

amendment to the state budget. He would also like to amend the budget to include more money for investigating welfare fraud, which he said Gov. Jim Doyle plans to cut.

The audit was ordered by the Joint Legislative Audit Committee.

"When instances of alleged fraud within the

program came to light, it was a priority for the committee to move quickly to call for this audit to understand the scope of the problems within the program in order to rectify them," said state Rep. Peter Barca, D-Kenosha, committee co-chairman.

These problems have led to changes in Racine County, which runs the program locally. Officials had Sheriff's Department investigators look into welfare fraud investigations, created a welfare fraud coordinator and started monthly unannounced visits to care providers.

The county performed 21 visits in March and 28 in April. May figures were unavailable Friday, according to Geoff Greiveldinger, the county's chief of staff.

The county is also charging several individuals with fraud involving Wisconsin Shares and investigations are ongoing by the Sheriff's Department in 50 other cases, county District Attorney Michael Nieskes said Friday.

"This is not a failure on the part of Racine County," Greiveldinger said. "You've got a very complicated system that permits people to do some things that perhaps some folks might not find a wise use of public money."

## BY THE NUMBERS

### Wisconsin Shares in Racine County

**2,565:** Number of children in program

**1,450:** Number of program participants

**294:** Number of providers

**\$1,010,300:** Subsidy payments to providers

Source: Wisconsin Legislative Audit Bureau, December 2008 analysis